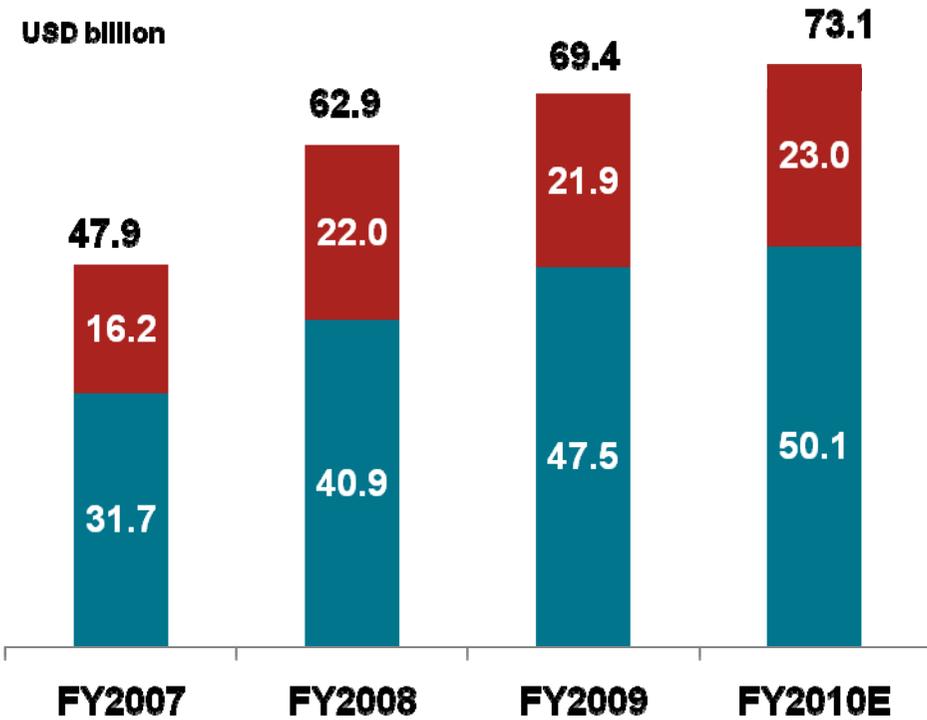




# Market Access Issues in the EU

# The Indian IT Industry – An Overview

# The Indian IT Industry has been a key driver of India's economic renaissance

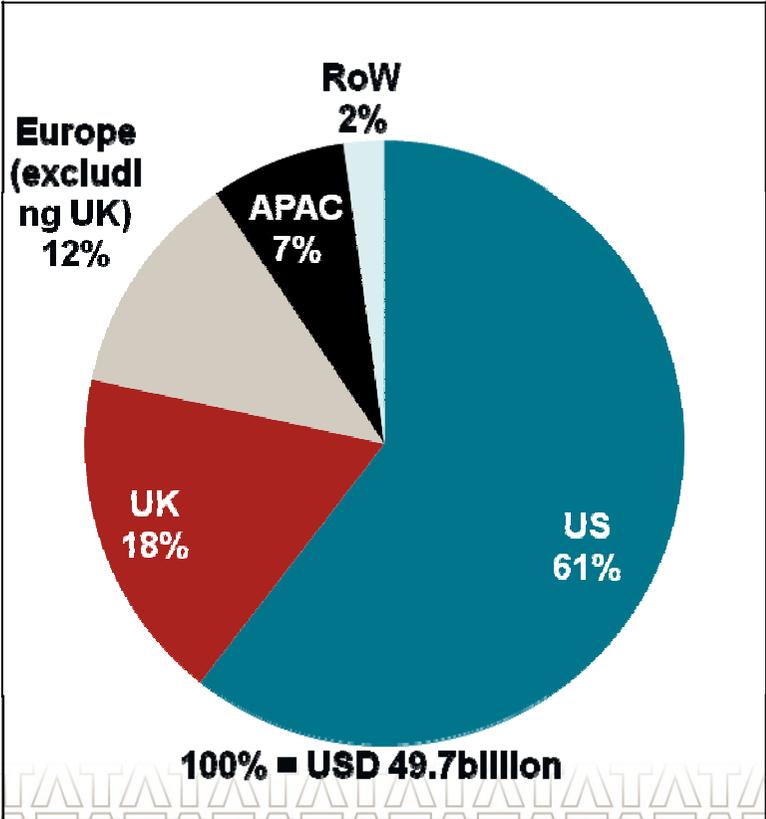


- Industry accounts for 25% of India's exports; 10.5% of services revenues
- 5.8 % of India's GDP
- 2.3 million direct jobs and another 10 million indirect jobs
- Over 900 captives in India accounting for USD 10.6 billion; 650+ are Engineering design
- Engineering design services and Product Development clocking USD 10 billion
- Transformation, new business models, driving organization wide efficiencies

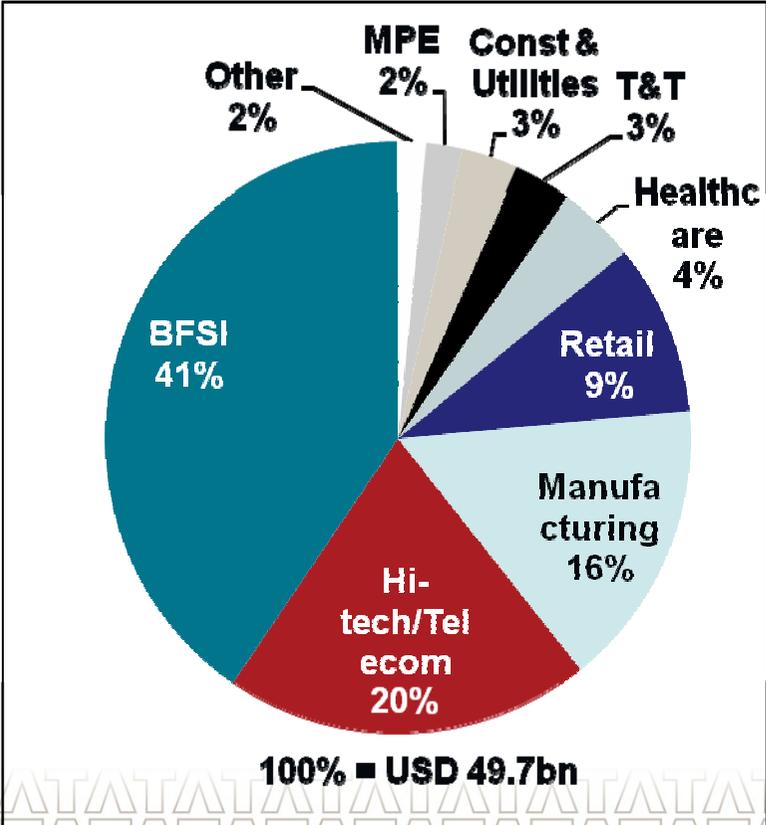
■ Domestic ■ Exports

The IT industry has acquired a global multi-sector footprint; Europe a key growing market accounting for 30 percent export share and approximately 50 % CAGR

**Geography**

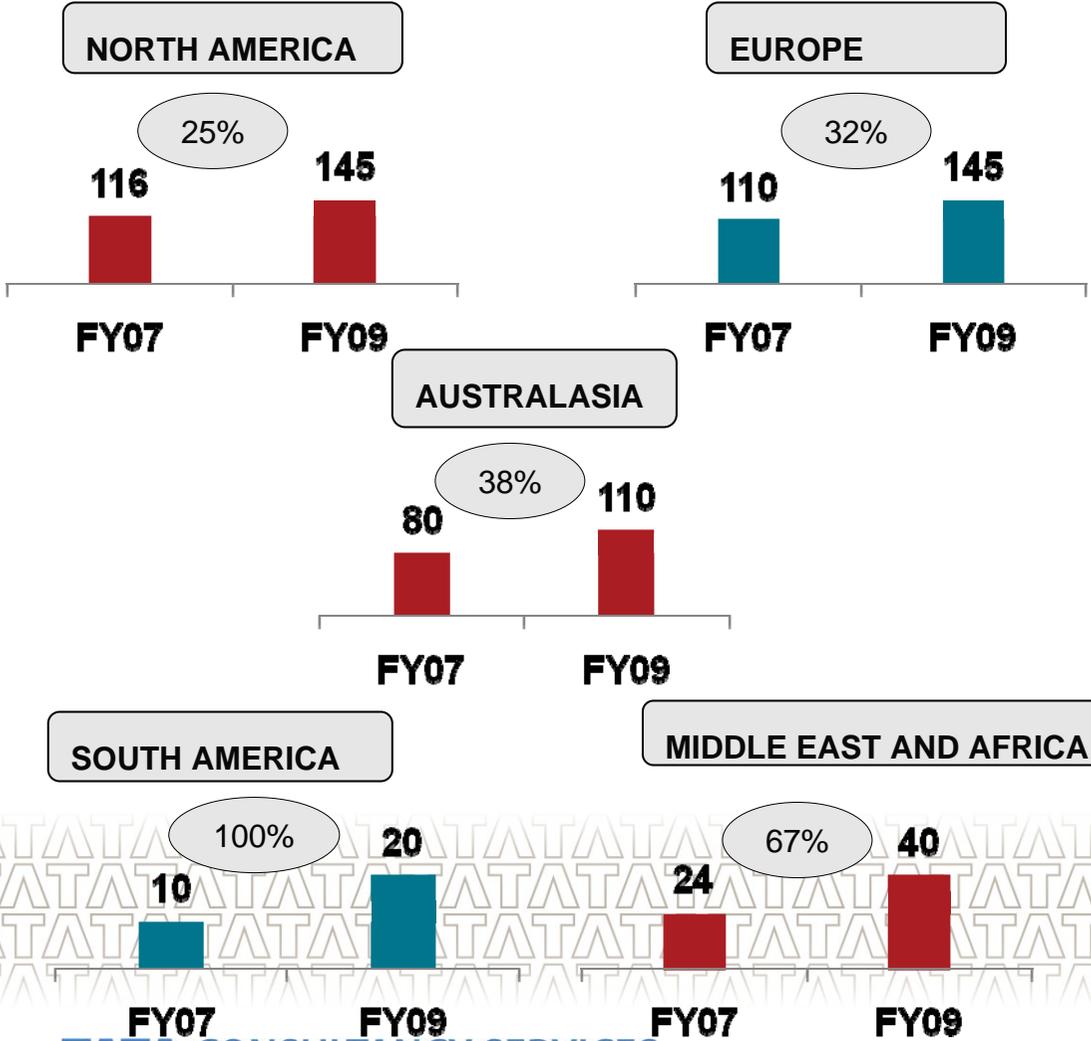


**Sector**



# The IT Industry is leveraging globalised value chains – location agnostic; Enhanced local capabilities

No of Delivery Centers



| Global Footprint                | 2009 | 2008 | 2007 |
|---------------------------------|------|------|------|
| Total Number of Delivery Centre | ~450 | ~400 | ~340 |
| Number of Cities                | ~215 | ~200 | ~184 |
| Number of Countries             | ~60  | ~52  | ~48  |

# EU Market Access Challenges

# Several mega-trends will impact the global technology and business services industry

## Macro-economic trends

- 1 Share of Asian economies\* in global GDP likely to rise at the expense of shares of Western Europe, Japan
- 2 Shifting demographics (e.g. shrinking working age population) creating large demand-supply gap of working age population in Japan, Western Europe and USA

## Social & environmental trends

- 3 Increased connectivity through mobile and internet penetration transforming the way people live and interact
- 4 Continued economic growth and consumption exerting greater pressure on natural resources and environmental cost of free market

## Business and technology trends

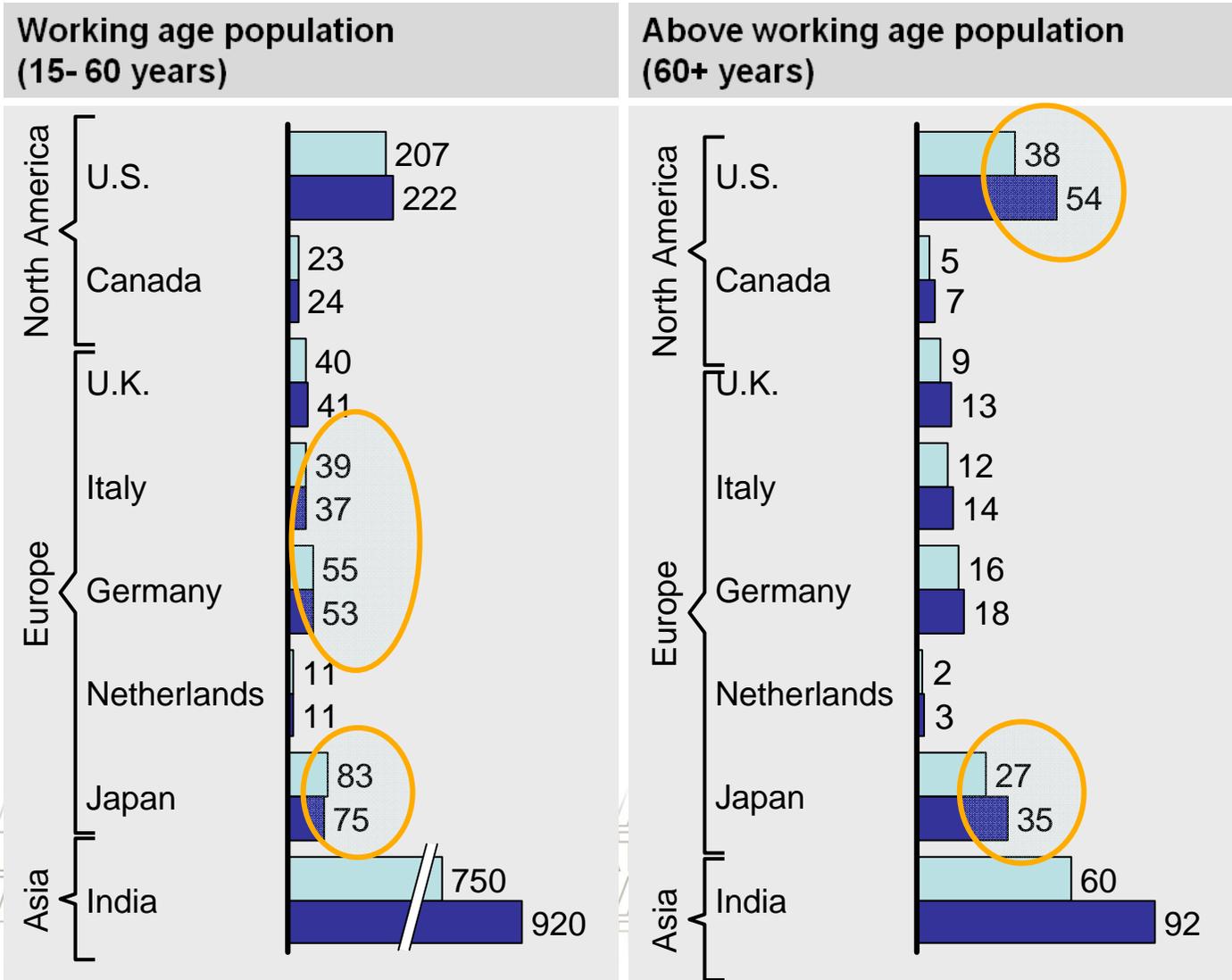
- 5 Recent global credit crisis leading to greater role of regulatory protectionism and focus on operational excellence
- 6 Traditional corporate structures changing (e.g., disaggregating value chains) to create global ecosystems
- 7 Technology radically transforming the way corporates and governments manage talent and assets, and leverage information

\* Except Japan

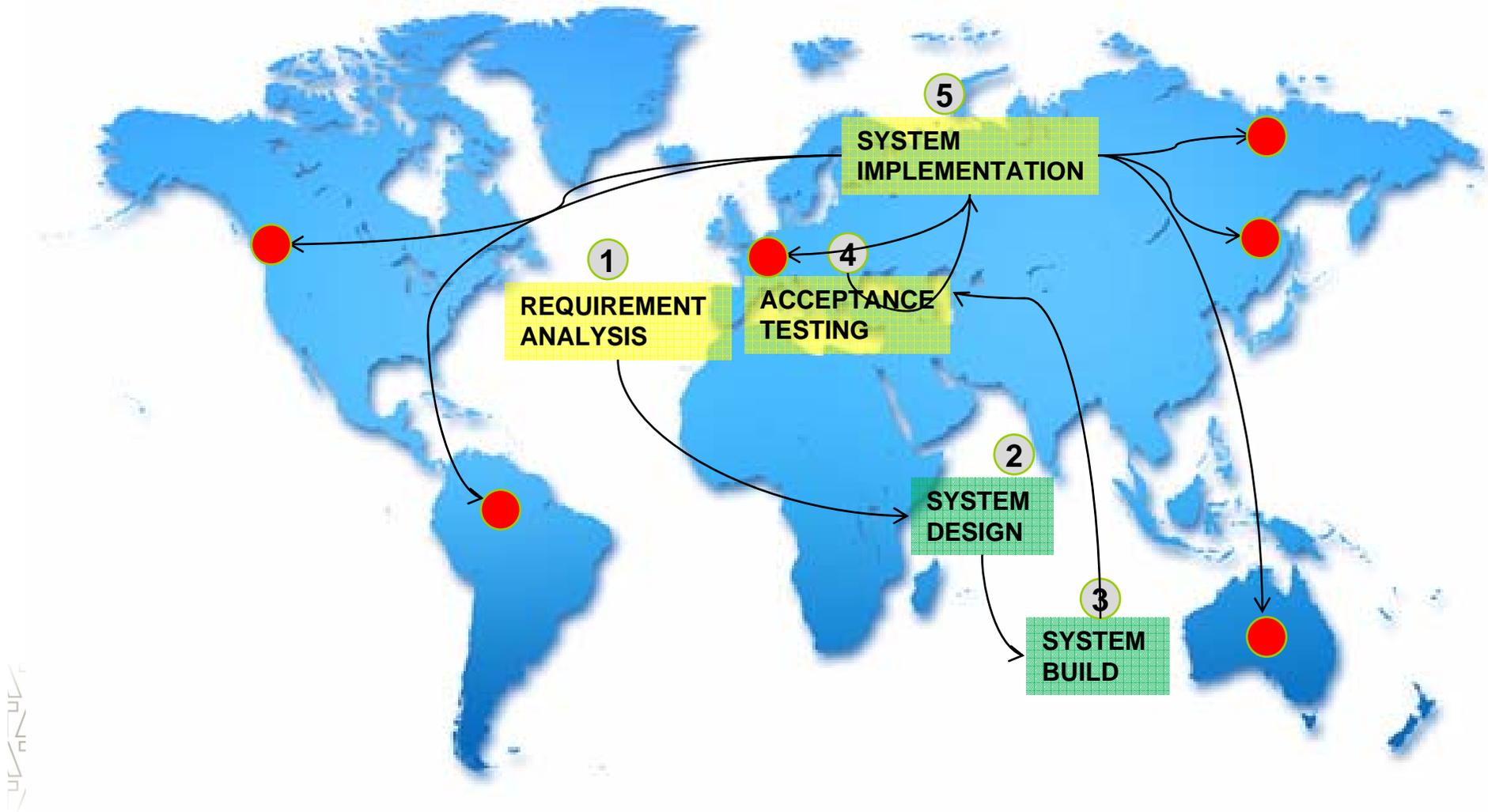
# Shifting demographics: working age population in key global economies is shrinking

2008  
2020

Millions



# Global value chains require access to global talent and global sourcing ecosystems



## **The EU needs to develop and implement a clear and harmonised regulatory framework to address high skilled employment gaps**

- According to the European Commission, in the EU-25, the proportion of jobs requiring high levels of education attainment will rise from 25 % to 31.3 %. The share of low skill jobs will decline from 26.2 % to 18.5 %.
- Working age population growth in the EU has a downward bias and is aggravated with a slowdown of birthrates and increase in ageing population. By 2050, Europe's native workforce will decrease by 48 million implying 1 retired person for every 2 workers
- The STEM (Science, technology, Engineering and Mathematics) graduates fell from 24.8 % in 1999 to 22.7 % in 2005
- According to European Commission, 1.7 % of EU workforce comprises of highly qualified workers from third countries, compared to 9.9 % in Australia, 3.2 % in USA and 7.3 % in Switzerland
- Non-natives workers account for 25 % of the high-tech workforce in the USA



## **Intra-Corporate Transferees – demand driven solution for addressing high-skilled talent gaps**

- An Intra-Corporate Transferee is a person employed by an entity established in a non-EU member state and temporarily assigned for a defined period to perform work for a legal entity belonging to the same group as the aforementioned legal entity in one or more EU member states
- An ICT can be categorized into:
  - Senior executive assignment
  - Temporary project transfer
  - Skill supplementation assignment
- ICT offers several unique competencies and advantages:
  - ICT brings with him/her a methodology and skill set which are aligned with the employer's business needs and culture
  - ICT are often more mobile and can be rapidly deployed to address immediate business requirements across locations
  - Address skill requirements which are not available locally
  - Employer undertakes complete responsibilities for the ICT including local regulatory compliance costs

## ICT myth buster: ICT is NOT economic migration

| Myth                                   | Reality   |
|--|---|
| ICT are not needed                     | <ul style="list-style-type: none"> <li>•ICT bring skills not available locally, thereby improving performance of local firms, increasing local market skill set and increase local innovation intensity</li> <li>•ICT contribute to local economy through taxes and demands</li> <li>•Encourage investment flows</li> </ul> |
| ICT take away local jobs               | <ul style="list-style-type: none"> <li>•ICTs do not compete with local labor force and are deployed to address specific short-term skill shortages within a firm</li> <li>•Generally, firms pay more for ICT and would not use ICT approach if skills were available locally</li> </ul>                                     |
| ICTs are accompanied with families     | <ul style="list-style-type: none"> <li>•Generally company policies allow families typically when assignments exceed 6-8 months</li> </ul>   |
| ICT do not contribute to local economy | <ul style="list-style-type: none"> <li>•ICT contribute to local economy by paying taxes, housing costs etc</li> <li>•Supplement the local economy skill pool</li> </ul>   |
| ICTs are economic migrants             | <p>ICT are demand driven and short-term; economic migration is driven by individual needs and is often permanent</p>  |
| ICT cost less than local employment    | <ul style="list-style-type: none"> <li>•The lifecycle cost of ICT is often 2 to 3 times the cost of a local employee and includes a large range of benefits including return flights, accommodation costs, per diems, work permit costs, social security costs etc</li> </ul>   |

## Current legal requirements of ICTs across EU Members are complex and heterogeneous leading to increased cost of compliance

|                                  |   |
|----------------------------------|---|
| <b>Admission Criteria</b>        | Criteria regarding minimum required prior period of employment in the employing entity prior to transfer varies across EU member states – varying from 12 months in France, Ireland and Austria; 9 months in Portugal and Spain; none in Finland, Italy, Belgium and Denmark  |
| <b>Application Process</b>       | <ul style="list-style-type: none"> <li>•Variations in processing timelines (4 – 16 weeks), practices and administrative rules and costs</li> </ul>  |
| <b>Scope of Work Permit/visa</b> | <ul style="list-style-type: none"> <li>•Work permit is valid only for the Member State for which it is issued. New Work Permit required if ICT is required to work in another EU Member State as part of the same assignment.</li> <li>•In some Member States, work permit is limited to the client for which the ICT is working</li> </ul> |
| <b>Work Permit Validity</b>      | Work permit validity varies from 9 months in France to 12 months in Germany and 2 years in Austria  |
| <b>ICT Family Members</b>        | Complex rules imposed by some EU Member States to accompany the ICT including long lead times and employment restrictions   |
| <b>Standardized Processes</b>    | Non-harmonized rules, processes, nature of permits/visas for ICT of non EU countries  |

## The Blue Card Directive is individual focused and cannot be considered a replacement for ICT

|   | ICT Workers   | Blue Card Migrants   |
|---|---|--|
| <b>Granted to</b>                         | Employees of corporate legal entities operating in the EU   | Individuals looking for long-term migration into EU member state   |
| <b>Term</b>                               | Short duration  | Long duration  |
| <b>Why</b>                                | Enable firms to leverage global talent for specific and immediate skill/talent gap  | Attract highly skilled individuals to migrate to the local economy   |
| <b>Nature of Visa</b>                     | Non-immigrant / short-term work permit  | Immigrant visa   |
| <b>Onus, Responsibility and Liability</b> | <ul style="list-style-type: none"> <li>• Firm qualifies from its employee pool to process work permit based on eligibility parameters</li> <li>• Firm can be held liable for any misuse of program</li> </ul> | <ul style="list-style-type: none"> <li>• Individual qualifies based on specified eligibility criteria</li> <li>• Individual responsible for all act of omission</li> </ul> |
| <b>Accompanied by</b>                     | On an average 20-25 % ICT workers are accompanied by families   | Safe to assume almost all Blue Card workers are accompanied by families  |
| <b>Policy advantage</b>                   | <ul style="list-style-type: none"> <li>• Increase in ICT is a indicator of increase in regional economic activity as ICT are related to projects</li> </ul>   | Increase in number of Blue Card migrants reflects well on long term population needs of economy  |

## To Conclude...

- Global sourcing of talent in the 'flat world' is increasingly becoming a key competitive lever for countries/regions
- ICTs are a trade and business model tool to address specific talent/skill shortages in short-term and encourage investments in regional economy
- ICTs are not a surrogate for economic migration
- Current heterogeneous and complex procedures for ICTs across EU Member States place a tremendous cost and compliance burden on the firms
- EU is currently at a disadvantage with its comparator economies in its ability to leverage global talent
- An harmonized, clear and unequivocal ICT regulatory model is required across the EU Member States





# Thank You